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THE ROSE FOUNDATION

For Communities & The Environment

RECEIVED



November 16, 1998

US Fish & Wildlife Service  
CCFWO, Arcata, CA

Bruce Halstead  
Fish & Wildlife Service  
1125 16th St., Rm. 209  
Arcata, CA 95521-5582

Re: PRT- 828950 + 1157

Dear Mr. Halstead:

I am writing to urge you NOT to approve Pacific Lumber's draft Habitat Conservation Plan and Sustained Yield Plan as written.

Pacific Lumber's draft HCP/SYP (as well as the EIS/EIR) lays out potential effects on the regional economy in relation only to timber-related employment and manufacturing jobs (Vol. I: Summary Sustained Yield Plan/Habitat Conservation Plan Public Review Draft pg. 39). However, nowhere in the document are commercial fisheries jobs factored into the economic analysis.

According to fisheries biologist Dr. Peter Moyle, the coho population within California has been reduced by 97% over the last 50 years. This decline has seen a corresponding loss of 40,000 commercial fishing jobs in this state over the last several decades. Logging has played a large role in this decline. Because an estimated 5 - 10% of the remaining wild coho salmon in California spawn in the drainages of Headwaters Forest, it is *imperative* that everything possible be done to protect the coho streams within Headwaters, rather than further stress the population and possibly drive it to extinction. The interim no-cut buffer zones around fish-bearing streams is inadequate and far from the scientific consensus on necessary protection levels, which falls between 170 feet and 600 feet.

The watershed assessment process is additionally precluded by the HCP from developing no-cut buffers that are adequate to protect coho salmon by capping the no-cut buffers at 170 feet. The purpose of conducting a watershed assessment is to allow biologists to look at the unique conditions of each watershed and to determine the needs of the species on a site-specific basis. Forcing biologists to go into a watershed assessment with predetermined buffer zones negates the purpose of the process.

Road building is another serious threat to coho habitat. Under the draft HCP/SYP, 400 additional miles of roads are proposed, which would dump major

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amounts of sediment into salmon spawning grounds, furthering the decline of salmon species and of commercial fishing.

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According to an article by the American Fisheries Society, "Poor road location, construction, and maintenance, as well as inadequate culverts result in forest roads contributing more sediment to nearby streams than any other forest activity. On a per unit basis, mass wasting events associated with forest roads produce 26-34 times the volume of sediment as undisturbed forests." (Furniss, M.J., T.D. Roelofs, and C.S. Kee. 1991. Road construction and maintenance, pp. 297-323. In W. R. Meehan, Ed. Influences of Forest and Rangeland management on Salmonid Fishes and Their Habitats. American Fisheries Society. Special Publication 19. Bethesda, Maryland. 751 p.) In fact, it was a CDFG biologist who stated in 1996 that Pacific Lumber has a reputation of NOT building good roads.

Marine ecologist Dr. Rod Fujita of the Environmental Defense Fund, has stated that continued habitat degradation in coho habitat is damaging to the larger salmon fishing industry. Currently, the fishing of robust chinook stocks is highly restrained, due to the dwindling coho populations. Fishermen/women are only allowed to harvest chinook until the point at which a small percentage of coho bycatch is caught.

According to Dr. Ken Cummins, formerly of the Center for the Study of the Environment, once logging lets sediment loose and trees are removed along riparian zones, long-term salmon production plummets and takes three to four decades to recover after trees reappear and are allowed to grow to maturity. ("Dwindling Salmon Spur West to Save Rivers," New York Times, 11/15/94).

Maxxam's continuous civil and criminal violations and other business misconduct are so extreme that they have been criticized by two sectors that might naturally be their allies-- labor and business. Labor is often viewed as being on the opposite side as environmentalists, due to the "jobs versus the environment" debate. However, Pacific Lumber and Maxxam have proven to be so unfair to labor that 26 unions representing 6 million working Americans have formally supported the preservation of Headwaters Forest (please see enclosed).

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Maxxam's disregard for long-term, sustainable employment was apparent when CEO Charles Hurwitz proposed to liquidate the entire ancient forest in 20 years after he took over Pacific Lumber in 1985. Hurwitz proceeded to funnel \$60 million from the pension fund to help retire part of the takeover debt. These factors moved labor unions to raise concerns with public employee pension fund investment in Maxxam Inc. where hundreds of thousands of their members are beneficiaries. In California, the State Teachers Retirement System, with over 327,000 active members, heard from more concerned people on the Maxxam investment issue than they had on the South Africa divestment issue in the 1980's. As a result of this pressure, STRS sold all of its 71,400 shares of Maxxam in July, 1997--only the third time the retirement system ever carried out such action.

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The \$140 billion California Public Employees Retirement System (CalPERS) responded as well to the hundreds of pieces of correspondence and countless phone calls they received from beneficiaries who were outraged that their precious retirement dollars were supporting the clearcutting of ancient redwoods. In February, 1997, CalPERS' CEO wrote Charles Hurwitz a letter warning that *threats to further log the ancient trees of Headwaters would harm the long-term value of the stock...perhaps the most significant result will be Maxxam's resulting reputation in the market; you will be perceived as a pariah, unable to easily raise new capital when needed. These negatives seem to far outweigh the actual value of the cut timber.*

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Maxxam stands out in the business community as being a bad corporate citizen whose mismanagement is not good for the bottom line. On May 20, 1998, a CalPERS/Rose Foundation Maxxam shareholder resolution to bring greater accountability to Maxxam's Board secured over 1.7 million votes, or nearly half of the non-insider shareholder vote. Among the backers were 8 mutual funds and 11 public employee retirement systems and government departments in addition to major individual investors.

Maxxam's reputation is not just limited to their own investors. Business Week, the nation's prominent business publication, ranked Maxxam as having the *10th worst corporate board in America*, due to its "tiny board with little business experience dominated by CEO" (Dec. 8, 1998 edition). The Council on Economic Priorities, a public service research organization, also named Maxxam as the "Grand Offender" in its 1995 Campaign for Cleaner Corporations. Maxxam was placed on this list for an unprecedented fourth time.

Given the broader picture that includes Maxxam's business colleagues, pension fund administrators, and unions, it is undeniable that Maxxam's overall conduct is irresponsible. The company must be held accountable for its actions, with stricter limitations placed on Pacific Lumber's logging operations in the HCP/SYP.

Thank you.

Sincerely,

*Carla Din*

Carla Din  
Program Associate

Enclosures



# The Sacramento Bee

WEDNESDAY

July 9, 1997

## STRS decides to sell its shares in Maxxam

By Paul Schnitt  
Bee Staff Writer

The pension fund for California teachers has unloaded its investment in Maxxam Inc., a company that has become anathema to the powerful state teachers union for opposing environmental groups' plans to preserve a redwood forest in Humboldt County.

Union officials called the sale of 71,400 shares of Maxxam stock — worth about \$3.3 million — a last resort.

"(The teachers' retirement system) tried to maintain its investment while responding to its beneficiaries' concerns, but the time came when its only choice was to get out of Maxxam," said Beverly Carlson, who chairs the California Teachers Association Retirement Committee.

The pension fund's chief investment officer said Tuesday that while the decision to drop Maxxam was "not made in a vacuum," it was based on investment factors, not political pressure.

Patrick Mitchell cited the performance of the stock over the past three years; its price is up about 28 percent, compared to 93 percent for the broad market. It also was one of the smallest holdings in the \$72 billion portfolio and has lower-than-average trading volume.

"It makes little difference in our portfolio," Mitchell said.

He said Maxxam was dropped as part of the annual review of domestic holdings each June. It was one of 349 stocks that were sold based on the recommendation of an advisory firm. Shares of another 283 companies were purchased as part of the process.

The sale of Maxxam stock was formally recommended last February by the 75,000-member California Federation of Teachers if the Houston firm refused to negotiate a debt-for-nature swap.

It called for Maxxam to trade 60,000 acres within the Headwaters Forest for an agreement by the government to settle claims from a failed Texas savings and loan once owned by Maxxam's principal owner, Charles Hurwitz. STRS' board voted to support that resolution at a meeting of Maxxam shareholders in May, but it was soundly defeated.

Maxxam has reached a tentative agreement to sell about 5,600 acres to the federal and state governments for \$380 million.

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Maxxam

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Beverly Carlson  
California Teachers  
Association  
Retirement  
Committee

# BusinessWeek

DECEMBER 8, 1997

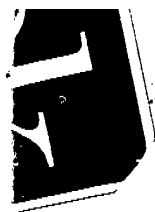
A PUBLICATION OF THE MCGRAW-HILL COMPANIES

\$3.50

## THE WORST BOARDS OF DIRECTORS

RANK	OVERALL SCORE	SURVEY SCORE	ANALYSIS SCORE	DETAILS	BOARD PERFORMANCE POLL				GOVERNANCE GUIDELINE ANALYSIS		
					SHAREHOLDER ACCOUNTABILITY	BOARD QUALITY	BOARD INDEPENDENCE	CORPORATE PERFORMANCE	SHAREHOLDER ACCOUNTABILITY	BOARD QUALITY	BOARD INDEPENDENCE
1. DISNEY	10.3	1.8	8.5	Investors decry board for conflicts; many directors own little if any stock	3.3	4.3	2.0	5.8	-0.4	2.8	2.2
2. AT&T	10.9	-16.6	27.5	Investors scorn board for failing to control succession, not ousting CEO	3.0	4.2	3.5	2.8	2.0	5.2	7.4
3. U.S. NERFZ	15.4	-1.1	16.5	Longtime CEO dominates insider-filled board; resists investor calls for change	2.8	3.7	2.0	4.7	4.4	6.0	1.4
4. ARCHER DANIELS MIDLAND	16.8	-12.2	29.0	Board changes fail to satisfy investors, who say directors still lack independence	2.3	2.1	1.3	3.5	5.6	7.6	5.0
5. DOW JONES	21.1	1.6	19.5	Investors disenchanted with performance; weakest attendance record of any board	2.6	4.6	2.8	2.6	6.0	0.0	5.8
6. BILLYARD'S	22.0	5.0	17.0	Board loaded with insiders; lacks an outsider with retail expertise or CEO	2.0	3.0	2.0	3.5	6.4	3.2	2.0
7. ROLLM'S INTERNATIONAL	22.7	1.7	21.0	Board dominated by family members and insiders; lacks nominating panel	1.0	1.0	0.0	2.0	4.0	7.6	4.4
8. OCCIDENTAL PETROLEUM	24.0	-1.5	25.5	Investors outraged over \$95 million payout to CEO by cozy, aging board	1.3	2.0	1.1	2.0	2.8	6.0	5.8
9. DEGEN	27.2	4.2	23.0	Board has three consultants and a lawyer who do business with company	2.0	1.5	2.0	2.5	2.0	8.4	4.0
10. MAXAM	28.3	4.3	24.5	Tiny board with little business experience dominated by CEO	1.5	2.0	1.0	3.5	3.6	2.0	6.0
11. COLUMBIA/WEA	27.6	1.6	26.0	Investors angry over lack of board oversight; overextended directors	3.8	2.7	2.2	2.6	5.2	6.8	4.4
12. TOPPS	29.4	-1.6	31.0	Investors unhappy over poor corporate performance of card company	2.0	1.5	2.6	1.0	5.2	7.6	6.0
13. ADVANCED MICRO DEVICES	30.2	1.7	28.5	Board's compensation panel met 36 times just to iron out CEO's rich pay package	1.0	1.0	1.0	2.0	5.6	8.4	4.4
14. ITT	32.1	1.6	30.5	Investors blast board for trying to prevent a vote on takeover	2.4	4.2	3.1	4.0	7.2	3.2	7.0
15. TIME WARNER	33.5	4.0	29.5	Many directors sit on too many boards; investors unhappy with performance	2.0	2.0	3.0	2.0	6.0	8.4	4.4
16. WASTE MANAGEMENT	33.6	3.6	30.5	Changing governance practices fail to allay concerns over board independence	2.7	3.3	1.7	1.7	7.2	4.4	6.4
17. FLEETING COS.	35.4	1.9	33.5	Fight over poison pill leaves bad taste in mouths of investors	0.7	1.7	2.0	2.3	4.0	6.8	8.0
18. KIMART	35.7	3.7	32.0	Investors unhappy with lagging returns; fault board for lack of oversight	4.0	4.0	3.0	2.4	4.4	5.2	8.0
19. WESTINGHOUSE	35.7	6.2	29.5	Many directors are overextended, while investors are impatient with results	2.5	3.0	3.0	4.0	10.0	-0.4	6.8
20. TEXACO	36.9	10.9	26.0	Directors severely underinvested in company troubled by discrimination charges	4.5	5.5	4.5	5.5	2.4	2.4	8.0
21. DIGITAL EQUIPMENT	38.4	5.0	32.5	Lagging performance has investors frustrated; directors still get pensions	2.8	5.3	3.3	3.0	3.2	6.8	8.0
22. CHAMPION INTERNATIONAL	39.1	2.6	36.5	Three directors own little stock; investors want better results	3.0	3.2	2.7	2.7	3.6	7.6	9.0
23. APPLE COMPUTER	39.8	3.3	36.5	Overhaul of board by Steve Jobs isn't enough to sway disappointed investors	5.3	5.1	5.0	2.3	6.0	9.2	7.0
24. RJR HARBISCO	44.3	5.3	39.0	Many directors sit on too many boards; board ditched director pensions last year	3.0	2.7	2.7	3.7	10.0	5.2	8.0
25. SHOREY'S	46.2	4.7	41.5	Investors unhappy with continued poor performance; proxy fight led to changes	1.0	2.0	6.0	1.0	5.6	8.4	8.0

experts and half from an analysis of the makeup of each board. For each individual category, the maximum score is 10.



## Labor Endorsements for a *Debt for Nature Swap* of Headwaters Forest

### Endorsers

### Date Endorsed

\* = supports divestment of Maxxam from public pension funds if Maxxam fails to negotiate for a debt for nature swap

*United Farm Workers (membership 27,000 under contract; 15,000 associate members)	March 23, 1998
California Labor Federation, AFL-CIO (membership 2,000 local unions & districts, representing 2 million people)	January 28, 1998
CA State Council of Carpenters (membership 60,000)	January 20, 1998
*Hotel & Restaurant Employees Union, Local 2, AFL-CIO (membership 10,000)	December 9, 1997
*Service Employees International Union CA State Council (representing 350,000)	December 3, 1997
*Service Employees International Union Local 715, AFL-CIO (membership 13,000)	November, 1997
*Western Council of Industrial Workers, an affiliate of the United Brotherhood of Carpenters (membership 15,000)	October - Nov, 1997
*California Dept. of Forestry Firefighters (membership 5,000)	Sept. 17, 1997
*Colorado Federation of Teachers, School, Health & Public Employees (membership 3,000)	August 18, 1997
*United Teachers Los Angeles, AFL-CIO (membership 35,000)	June, 1997
*California State Employees Association, Local 1000 SEIU, AFL-CIO (membership 135,500)	June 7, 1997
AFL-CIO Public Employee Department (membership 4,500,000)	May 16, 1997

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Am Fed of State, Cty & Municipal Employees, New York AFL-CIO ( <i>membership 400,000</i> )	May 16, 1997
Am Fed of State, Cty & Municipal Employees, Colorado AFL-CIO ( <i>membership 3,200</i> )	May 10, 1997
*United Educators of San Francisco, AFT-CFT- NEA-CTA ( <i>membership 6,300</i> )	April 9, 1997
Social Workers, Local 535, SEIU, AFL-CIO ( <i>membership 20,000</i> )	March 25, 1997
*California State Firefighters' Association, Inc. ( <i>membership 28,000</i> )	March 20, 1997
*California Teachers Association ( <i>membership 260,000</i> )	March 15, 1997
*Union of American Physicians & Dentists ( <i>membership 4,000</i> )	March 14, 1997
*Health Care Workers, Local 250, SEIU, AFL-CIO ( <i>membership 40,000</i> )	February 28, 1997
*Am Fed of State, Cty & Municipal Emps, California AFL-CIO ( <i>membership 50,000</i> )	February 24, 1997
California School Employees Association ( <i>membership 120,000</i> )	February 15, 1997
*Faculty Association of California Community Colleges ( <i>membership 7,500</i> )	February 13, 1997
Central Labor Council of Alameda County, California AFL-CIO ( <i>membership 67,000</i> )	
*California Federation of Teachers, AFL-CIO ( <i>membership 50,000</i> )	February 2, 1997
*California Federation of Teachers, Community College Council ( <i>membership 4,000</i> )	December 7, 1996



Executive Office  
P.O. Box 942701  
Sacramento, CA 94229-2701  
Telecommunications Device for the Deaf - (916) 326-3240  
(916) 326-3825 FAX (916) 326-3410

February 10, 1997

Charles E. Hurwitz  
Chairman of the Board, President  
and Chief Executive Officer  
Maxxam Inc.  
5847 San Felipe  
Suite 2600  
Houston, TX 77057-3010

Dear Mr. Hurwitz:

As you may be aware, the California Public Employees' Retirement System (CalPERS) owns 318,400 shares of Maxxam stock. The purpose of this letter is to request a meeting with you to discuss the status of your negotiations with the U.S. government concerning the Headwaters Forest, and the impact of those negotiations – as well as the underlying issue of logging ancient growth redwood – on the long-term value of our Maxxam stock.

To help you prepare for this meeting, let me briefly outline CalPERS' concerns. First, CalPERS is a trust fund, constitutionally charged to act only in the interests of our over 1,000,000 participants. Therefore, the issues that we intend to discuss with you are focused on economics. We are concerned that your stated intention to cut the ancient redwood will, if acted upon, significantly harm the long-term value of Maxxam. There are so many negatives that will result from cutting – the public outcry and a potential legislative backlash are obvious. But perhaps the most significant result will be Maxxam's resulting reputation in the market; you will be perceived as a pariah, unable to easily raise new capital when needed. These negatives seem to far outweigh the actual value of the cut timber.

We are aware that, in your negotiations with the federal government, you are seeking top dollar for this land. We hope that you recognize, however, that in all tough negotiations there is a point of diminishing returns. We are seriously concerned that you have reached that point, and that continuing to threaten logging as an alternative to a governmental purchase of the Headwaters will harm the company more than any incremental price increase will help it.

California Public Employees' Retirement System  
Lincoln Plaza - 400 P Street - Sacramento, CA 95814



Charles E. Hurwitz

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My office will be contacting you shortly to schedule a meeting. Until then, if you have any questions or would like to discuss this matter in more depth, please contact me or CalPERS General Counsel, Kayla Gillan, at (916) 326-3675.

Sincerely,

A handwritten signature in cursive script, reading "James E. Burton".

JAMES E. BURTON  
Chief Executive Officer

cc: CalPERS Board of Administration

FEB 21 1997 10:39 AM

Charles E. Hurwitz  
Page 2

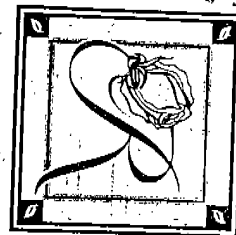
My office will be contacting you shortly to schedule any questions or would like to discuss this matter.  
CalPERS General Counsel, Kayla Gillan, at (916)

Sincerely,



JAMES E. BURTON  
Chief Executive Officer

cc: CalPERS Board of Administration



ROSE FOUNDATION  
6008 College Avenue, Suite 10  
Oakland, CA 94618

Re: PRT-828950 & 1157

97521-5582

11/25-16th St, Rm. 209

Aracata, CA 95521-5582

1125-16th St, Rm. 209

U.S. Fish & Wildlife Service

Bruce Halstead

